

Pay Equity Reporting Compliance Game Plan



Reporting requirements are a staple of pay equity laws requiring employers to ensure that men and women receive equal pay for work of equal value. Pay reporting is also part of newfangled pay transparency laws. In the pay equity context, pay reporting is most useful when it doesn't simply identify but also explains gender-based pay gaps. Thus, a report showing that women and men receive different average compensation also reveals whether the difference reflects job classification, starting salaries, promotion practices, incentive-pay rules, or inconsistent salary adjustments.

Compliance Strategy: HR directors in pay equity jurisdictions should establish a reporting process that identifies the underlying causes, distinguishes legally significant disparities from statistical differences, and assigns responsibility for corrective action. Here's an 8-step Compliance Game Plan.

Context: The Nondiscrimination-Pay Equity Continuum

Paying women less than men for the same work because of their sex is a form of employment discrimination banned in all parts of Canada. But pay equity takes pay equality to another dimension. It requires that employers not only refrain from discriminating but also adopt proactive and systematic measures to identify and eliminate sex-based pay gaps. Canadian jurisdictions fall into different places along this nondiscrimination to pay equity continuum:

- All provinces and territories have human rights laws banning employment discrimination, including basing pay on sex, race, religion, age, and other characteristics.
- Seven provinces and territories—Manitoba, New Brunswick, Nova Scotia, Ontario, Québec, Saskatchewan, and Yukon—have also incorporated parallel nondiscrimination/equal pay requirements into their employment standards laws.
- Three provinces—British Columbia, New Brunswick, and Newfoundland/Labrador—have moved beyond nondiscrimination to a middle stage known as pay transparency that requires employers to collect and annually report compensation data that may reveal pay gaps, such as how much they pay employees in “male” and “female job classes”.
- Next come the five provinces—Manitoba, New Brunswick, Newfoundland/Labrador, Nova Scotia, and Prince Edward Island—that have enacted limited pay equity laws that apply only to public-sector employers.
- Farthest along the continuum are Ontario, Québec, and the federal jurisdiction where both public- and private-sector employers are required to adopt systematic

plans to identify and eliminate wage gaps and achieve and maintain equity in pay.

Step 1. Build a Jurisdiction-Specific Pay Equity Compliance Calendar

Problem: Because pay equity rules vary by jurisdiction, you can't have a one-size-fits-all compliance plan.

Solution: Determine which pay equity laws apply to your company and adjust your compliance calendar accordingly. Example: An annual gender pay-gap calculation won't work in Ontario where employers must continually assess and maintain pay equity in accordance with a gender-neutral comparison system as compensation practices change rather than just once a year. **Best Practice:** Maintain a compliance matrix for each legal entity, identifying:

- The applicable statute.
- Employee-count threshold.
- Pay equity plan or audit required.
- Reporting or publication obligations and deadlines.
- Responsible executive.
- Required documentation of completion.

Review the matrix whenever the company acquires a business, crosses an employee threshold (for example, grows from eight to 11 employees), or changes its operating structure.

Step 2. Reconcile Payroll Data Before Calculating Pay Gaps

Problem: Pay equity reporting errors often result from inconsistent definitions of compensation across different parts of the organization. Thus, one business unit may include bonuses in its salary figures, while another excludes them; one may annualize part-time earnings, while another compares actual annual totals. The resulting differences can be misleading.

Solution: Create a documented data dictionary before extracting the figures. Key terms to define include "base salary", "hourly wages", "bonuses", "commissions", "overtime", "shift premiums", "paid hours", "job categories", "employee status", and "reporting date". Record how the team handles employees who joined or left during the year, employees on leave, part-time workers, and employees whose compensation changed during the reporting period.

Step 3. Go Beyond Payroll Data

Problem: Payroll data alone may not be enough to maintain pay equity, especially under Ontario, Québec, and federal laws requiring analysis using job-classification, work-value, and compensation-comparisons. Employers can't verify compliance with those requirements simply by producing a reliable company-wide gender pay-gap statistic.

Solution: Use payroll and HR analytics to reconcile the reporting extract against payroll totals. Keep a record of exclusions, conversions, assumptions, and corrections. Maintain the job descriptions, job evaluations, and compensation comparisons needed for the applicable pay equity process. Such calculations should be

reproducible, and the legal analysis should be documented separately.

Step 4. Identify the Pay Gaps that Averages Conceal

Problem: While it may be a useful indicator, a company-wide gender pay gap is not a diagnosis. A gap may reflect the concentration of men in senior or highly paid technical positions, differences in access to bonuses, unequal pay within comparable work, or several factors operating together.

Solution: Supplement required reports with targeted internal analysis. Compare compensation within meaningful job groups and levels, and examine starting salaries, merit increases, promotions, acting assignments, overtime opportunities, and incentive-pay eligibility. Where data permit, look at both average and median compensation—recognize that a small number of highly paid executives can materially affect an average.

Example: A company reports that women earn 88 cents for every dollar earned by men. That figure alone doesn't establish that women and men performing work of equal value are paid unequally. But if women and men in the same job level have similar experience and performance ratings, yet women consistently receive smaller salary increases, HR has identified a specific practice that warrants investigation.

Step 5. Address Identified Pay Gaps

Problem: Reacting to pay gaps can be as challenging as identifying them. Companies may be tempted to dismiss gaps as nothing more than the result of tenure, performance, or market conditions. Others may overreact by treating all statistical differences as proof of unlawful discrimination.

Solution: Rather than rushing to judgment, perform a written analysis of each material gap you identify stating the:

- Size of the pay difference.
- Affected employee group.
- Likely contributing factors.
- Supporting evidence.
- Next actions.

Where a statutory pay equity comparison identifies a compensation adjustment requirement, record that finding separately from broader statistical disparities. Label unexplained gaps as unresolved rather than assuming that they're justified.

Step 6. Don't Conflate Job Classification with Work Value

Problem: In explaining pay gaps, companies may place too much value on job titles or historical salary levels. But different job titles don't necessarily mean different work value.

Solution: Review whether positions dominated by women, such as certain administrative or coordination roles, have been evaluated consistently against male-dominated technical or operational roles. This is especially important in Ontario, Québec and federally regulated companies, where pay equity laws require structured comparisons of job classes and work value. A receptionist and a warehouse shipper-receiver, for example, may have different duties but can still be relevant to a pay equity comparison, depending on the applicable statutory method and evaluation results.

Step 7. Properly Analyze Gaps in Variable Compensation

Problem: Variable pay is another hotbed of pay equity reporting error. Thus, a relatively small base-pay difference can be compounded by bonus eligibility, commission structures, overtime allocation, or access to higher-paying assignments.

Solution: Analyze who qualifies, who actually receives payments, and the amounts paid rather than focusing just on what the written compensation policy says. For both variable pay and job classification purposes, identify whether the problem concerns job evaluation, compensation policy, managerial discretion, or implementation. That distinction matters because changing a salary range won't necessarily correct unequal access to incentive opportunities.

Best Practice: Include a separate review of job evaluation and variable compensation in the annual reporting cycle. Document the criteria used, test exceptions, and discretionary decisions, and refer potential pay equity adjustments for formal legal and financial assessment. Integrate assessment findings into any legally required pay equity audits you perform or plans you create.

Step 8. Implement & Document Corrective Actions

Problem: A report that identifies a pay gap but doesn't trigger a decision is evidence of not only ineffective management but also noncompliance. Of course, not every red flag requires the same response. An unexplained salary difference may require an individual compensation review whereas a pattern of lower starting salaries may call for revised offer-approval controls.

Solution: Keep a corrective-action register with a named owner, target date, proposed remedy, budget implications, and verification step. Ensure corrective actions comply with the applicable pay equity law. Thus, an informal management fix won't work if the statute requires a pay equity plan or compensation adjustment. Report progress to senior management at least annually. Track both the original gap and the effect of corrective action, and retain the underlying data, calculations, approvals, and explanations. When a report must be published or filed, establish a separate sign-off process to confirm that the version submitted is accurate and consistent with the approved analysis.

Best Practice: Assign accountability for the overall process to the Chief HR Officer or equivalent executive. Make payroll responsible for data integrity. Require written sign-off on both the report and the corrective-action plan.

Takeaway

In addition to ensuring compliance with filing requirements, the pay equity (and pay transparency) reporting process should serve as an internal management analysis that identifies and explains significant pay differences while setting the stage for determining corrective action. HR directors should thus measure success not simply by whether a report was filed or published, but by whether the company used reliable data, applied the correct legal test, investigated material disparities, and completed the corrective action required by law.